



Housing: A Foundation for Strong and Prosperous Communities

By Maria Contreras-Sweet, Secretary
California Business, Transportation and Housing Agency

These are very challenging times for those of us who care about housing and are willing to tackle the challenges that confront us. Increasingly the public, the press, the business community and government officials are recognizing the importance of an adequate supply of diverse housing choices.

Record-high job growth, economic prosperity and the beautiful resources of this State may lead us to think that all is well. In reality, California is suffering a chronic shortage of new housing, which has driven up housing costs and threatens California's economic prosperity and quality of life. Homeownership is the most enduring of our dreams. When people own their homes they take pride in the community, they are concerned about neighborhood schools and parks and safety. They feel economically more secure and their quality of life is improved.

Governor Davis recognizes that not everyone is sharing in this prosperity. The Department of Housing and Community Development provides an array of technical assistance and funding programs along with the California Housing Finance Agency who provides below-

market rate loans for affordable rental housing and to assist first-time homebuyers.

Last year marked the ninth consecutive year of housing production at roughly fifty percent of what is needed statewide. In 1999, only 140,000 new homes were built, while the Department of Finance estimated the annual need to be between 230,000 and 250,000. And, in some of California's job centers, a professional's annual salary can be as much as \$100,000 short of what is needed to afford to buy the median-priced home.

The Davis Administration recognizes the importance of the State's role in addressing California's housing needs, after all Gray Davis is a former chairman of the Assembly Housing Committee and has always been an advocate for housing. To ensure that a lack of housing for California's workforce does not derail our economic prosperity, the May Revision of the Governor's Budget added \$500 million in housing initiatives –the largest augmentation for State housing programs of any previous administration.

This year's budget was a bipartisan collaboration of hard work and perseverance by key leaders

in the Legislature. On June 30, Governor Davis signed the largest housing budget in the history of the state; \$711 million for housing programs to improve housing opportunities for all Californians.

Governor Davis' historic housing budget provides important leadership in meeting our state's diverse housing needs. As Secretary of the Business, Transportation and Housing Agency, I will bring our resources to bear to support the housing budget. That means calling on all of the entities within the Agency that support housing and safe communities – the Department of Housing and Community Development, the California Housing Finance Agency, Office of Real Estate Appraisers, the Department of Real Estate, and even the California Department of Transportation and Office of Traffic Safety.

We offer our partnership and support and look forward to working with you.

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Summer 2000

Preparing for More Housing Funds

Housing is a “hot” public issue once again, and HCD is working hard to award the expanded state housing funds enacted in the new state budget.

With a worsening statewide affordable housing shortage, and with state government revenues booming, Governor Davis and the Legislature agreed that the state can and should do more for affordable housing. The Fiscal 2000-2001 Budget includes no less than \$711 million in housing expenditures, including:

- **Multifamily Housing Program.** \$188 million
- **Downtown Rebound.** \$25 million (conversion of vacant buildings to housing and mixed uses)
- **Emergency Housing Assistance Program.** \$39 million
- **Farmworker Housing Grant Program.** \$46.5 million
- **CalHome Program.** \$50 million (single-family ownership assistance)
- **Child Care Facilities Finance Program.** \$16 million Direct Loan

Coming on top of the Department’s baseline loan and grant budget of about \$175 million annually in state and federal funds, this new increment multiplies HCD’s resources by nearly four times. Nevertheless, affordable housing advocates and the public will rightly expect HCD to award this money for new housing projects without unnecessary delays. Since the Governor’s May Revision to the 2000-2001 budget was released, the Department has been planning for the awarding of funds.

The latest HCD Strategic Plan includes a number of actions to prepare for increased funding, including:

- Establishing timelines for getting new money out to housing developers and service providers,
- Streamlining legal documents and processes,
- Shortening the staff hiring process,
- Accelerating the completion of operating guidelines for HCD’s new Multifamily Housing Program, which will handle the largest portion of the new funding, and
- Preparing to track and report on the awards and projected production of new, rehabilitated and preserved housing units.

Beginning in 1999, HCD’s loan and grant staff received refresher training from experienced loan professionals in the art of underwriting – the basic work of evaluating project proposals for their risk and suitability, and deciding which ones qualify for funding.

The Department is also seeking approval to develop a new fiscal database system that will streamline the project tracking accounting and fund control processes.

HCD intends to meet the practical challenges of increased funding, so we can better enjoy the satisfaction of helping to produce more affordable housing for California.

More about the programs...

Multifamily Housing Program: Loans for rehabilitation and new construction of affordable multifamily rental housing, and for the preservation of existing subsidized housing that may otherwise convert to market rents.

Downtown Rebound: Financing to revitalize downtowns and neighborhoods, reduce development pressure of agriculture and open space resources and provide working families with options to live close to their jobs.

Emergency Housing Assistance Program: Grants to counties and non-profit entities to finance emergency shelters for homeless individuals and families uses can include rehabilitation, renovation, or expansion of existing facilities, site acquisition, equipment purchase, vouchers, and operating costs.

Farmworker Housing Assistance Program: Grants to local public agencies, nonprofit corporations, and federally-recognized Indian tribes to provide housing for agriculture workers.

CalHome Program: A home ownership program to assist low- and very-low income households become or remain homeowners. Funds will be allocated in either grants to programs that assist individuals for loans that assist multi-unit homeownership projects.

Child Care Facilities Finance: To guarantee private sector loans to private entities and local public agencies for the purchase, development, construction, expansion, or improvement of licensed child care and development facilities. Also provides direct loans.

Multifamily Housing Program

The June 30 Budget signed by Governor Gray Davis included a record of over \$711 million for housing and of that amount, \$188 million for producing affordable rental housing through the State's Multifamily Housing Program (MHP). This versatile new program provides low-interest loans to developers of apartment buildings and other rental units. In return for receiving favorable financing, the developers reserve a number of units in the buildings for low-income households and charge these households a reduced rent.

MHP is based on several similar loan programs administered by HCD a decade ago. Under these programs, which were authorized by Propositions 77, 84 and 107, over 11,000 new and rehabilitated units were produced with a total state expenditure of \$490 million.

MHP was established last year by SB 1121 (Alarcon). It was used then as the program vehicle for \$11 million in special purpose appropriations targeted towards families moving from welfare to work and the preservation of existing affordable housing. Draft guidelines for the newly appropriated funds were posted on the HCD website <www.hcd.ca.gov> and available for comment. Current plans call for issuance of the first funding announcement (for a portion of the funds) in August, with applications due in October and commitments issued in early 2001. To be placed on the mailing list for the MHP funding announcements, please contact the Department by calling (916) 327-2886.

Program design highlights, as established in statute, are as follows:

- Eligible borrowers include for-profit and non-profit developers, and local public agencies.
- Eligible projects must be multifamily (5 or more units) rental or transitional housing,

and may involve new construction, acquisition and rehabilitation, or rehabilitation only.

- Loan proceeds may be used for all normal project development costs.

If the housing development has a childcare center or other supportive service facility, these costs may be included. If the project serves extremely low-income people, funds may be set aside to provide rent subsidies.

- Occupancy and rent restrictions will follow the pattern set by the Low Income Housing Tax Credit program. They will apply for 55 years, and cannot be terminated by repayment of the loan. The loan term will also be 55 years. Interest will accrue at the rate of 3 percent per year, but the required interest payment is only .42 percent.

- The program is designed to be used in conjunction with other funding sources, and will not provide 100 percent financing. Per unit and per-project loan limits will be published in the guidelines.

- Available funds will be allocated through a competition, with priority for projects that serve households at the lowest income levels, address the most serious identified local housing needs, contain a significant percentage of units for families or special needs populations, and leverage other funds in locations where they are available.



Desert Gardens Apartments, Indio

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“Raising the Roof” Report

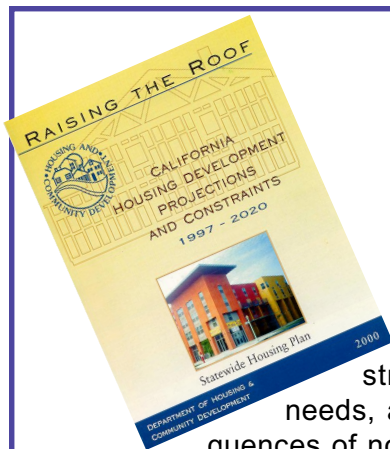
California Housing Development Projections and Constraints 1997-2020

“The report highlights the housing needed to accommodate 45 million Californians by 2020”

On May 19, 2000 Maria Contreras-Sweet, Secretary of the Business, Transportation and Housing Agency announced the release of the Statewide Housing Plan Update *Raising the Roof, California Housing Development Projections and Constraints, 1997-2020*. The report highlights the housing needed to accommodate 45 million Californians by 2020. It features new research on housing supply shortfalls, and local government land use regulation and residential permit processing in California. The State's changing demographic characteristics, land availability, and the need for housing capital are also addressed by the report.

“This important report is a significant tool to help develop, design and interpret the challenges of meeting the housing needs of California's diverse population,” said Secretary Contreras-Sweet.

The report was prepared for the California Department of Housing and Community Development by the University of California, Berkeley's Institute of Urban and Regional Development with support from the Fisher Center for Real Estate and Urban Economics.



Report Highlights

The “Raising the Roof” update takes a county-by-county look at California's projected housing needs through the year 2020, the constraints to meeting those needs, and the possible consequences of not meeting them.

Chapter 1 - Summary provides an overview of research findings.

Chapter 2 describes household and tenure projections for California counties and metropolitan areas for 2010 and 2020.

Chapter 3 includes a look at the supply of developable land in California and addresses these issues: Where is the state short of vacant land for housing? What role does land redevelopment and re-use play in meeting California's housing production needs? Why is “infill” housing so hard to produce?

Chapter 4 delves into the local regulatory process. What are California communities doing to try to control or manage development? How are local land use regulations impeding or encouraging housing production? Has the development approvals pro-

cess become so cumbersome that it is adversely affecting new housing construction?

Chapter 5 identifies capital constraints to housing production. To what extent are current constraints on the supply and use of private financing likely to limit housing production? On the public financing side, how is housing-related infrastructure being developed? And what of subsidy capital for affordable, low-income housing production?

Chapter 6 examines the implications of not producing enough housing. It begins by looking at the historical pattern of production shortfalls. Next, it considers the effects of production shortages on housing prices, rent levels, and housing cost burdens. The historical relationships between production shortfalls, reduced homeownership, lengthy commutes, overcrowding, and affordability are also explored. Would building more housing help alleviate some of these problems? The answer, based on a national analysis of housing prices and production, is a cautious yes.

Chapter 7 concludes with a summary of major findings; the implications of those findings for the future of housing in California; and recommendations to state and local officials, lenders, nonprofit groups, and the building industry for how California can better meet its future housing needs.

“Raising the Roof” is available at www.hcd.ca.gov

Housing Development Excellence

City of San Diego's Little Italy Neighborhood Development

ABOUT LITTLE ITALY...

The sloping landscape at the northern downtown edge of San Diego Bay was once home to the many Italian families who derived a living from the highly successful tuna fishing industry. Although large-scale commercial fishing is now a memory, the district's southern European character remains. Always a "neighborhood" first and then a commercial and light industrial center, Little Italy's spirit is



Villa Maria Apartments

perhaps best typified by the rebuilt Washington Elementary School and development of the adjacent Amici Park, which serves both as a playground for the school and a park including a bocce ball court for the community. Its lovely vistas now offer an urban neighborhood with single-family homes, condominiums, lofts and apartments. The India Street commercial strip is alive with Italian restaurants, small cafes, art and graphic studios/galleries, specialty shops and low-rise offices.

ABOUT THE AWARD...

Little Italy Neighborhood Development (LIND) one of the region's most innovative residential ideas, was one of six new successful affordable housing projects that has received the State *Housing Director's Award for Housing Development Excellence* this year. The award highlights the important role of redevelopment agencies in addressing California's housing problems and needs for the future. Award recipients are selected based upon the level of RDA participation, the number of units assisted, community problems or needs addressed

and the overall success of the project.

The Centre City Development Corporation's



Kettner Rowhomes/Beech Street Lofts

(CCDC) downtown infill project involved the purchase of a block of land and a successful mixture of housing types and prices. The Little Italy development consists of 16 row homes, 12 affordable rental lofts and 37 low and moderate income apartments. More than half of the units produced will be restricted to low-and moderate-income households. This successful development demonstrates that smaller scale, mixed-income housing can be infilled in an urban setting.

MORE ABOUT THE LIND PROJECT...

The aging housing stock primarily modest single-family homes, duplexes and small apartment complexes is being renovated and amplified by the LIND project. Encompassing a block at the heart of the district, the LIND is a joint venture of architects and developers whose separate products include the Kettner Rowhomes, the Beech Street loft project and the Villa Maria and Cedar Street low- and moderate-income apartments.

Another of the neighborhood's distinctive housing options is La Pensione, which is at once an affordable European pension with accommodations for travelers, and also an upscale SRO.

Little Italy's distinctive character is further being reinforced by continuing infill for-sale and rental residential projects. Property has been acquired recently by the Redevelopment Agency for future housing developments.

FARMWORKER HOUSING GRANT PROGRAM

Funding
Available

The Farmworker Housing Grant (FWHG) Program is accepting applications on an "over-the-counter" basis. The Notice was released on July 28, 2000 for \$15 million. Grants are available to eligible local public entities, nonprofit housing corporations, and cooperative housing corporations for the construction or rehabilitation of housing for agricultural workers and their families.

The Department anticipates issuing other Notices this year for the remaining FWHG funds of approximately \$30 million. This includes \$19 million for the conventional program; \$3 million for replacement or repair of housing and some park repairs in unhealthy and unsafe parks or other housing facing code enforcement closures; \$3 million for a cooperative

manufactured housing demonstration program for parks with 12 or fewer households; and \$5 million for a demonstration program linking housing with health services.

Funds under this Notice may be used to reduce the overall project development costs for almost any construction related cost in the development of farm worker housing, including land acquisition, site development, new construction, rehabilitation and other related items such as for mortgage write-down grants and first-time homebuyer down payments for self-help or turn-key homes. No part of a grant may be used for project organization or planning.

Applicants may contact HCD for an application package at www.hcd.ca.gov or call (916) 324-0695.

Join the Leaders of the Housing Industry! ... people like you planning for tomorrow



HCD offers careers in:

- Community Planning
- Management
- Information Technology
- Building Inspection
- Economic Development and more

HCD will hold examinations to establish an employment list of candidates for the position of:

Housing and Community Development Representative II (open statewide examination)

A Housing and Community Development Representative II performs the more responsible and technically difficult developmental or analytical assignments in the Housing and Community Development Representative series. Duties may include research; assessment of housing and community development needs; preparation or review of plans or planning documents; program planning, monitoring and evaluation; technical assistance to private organizations and local governments; administration and regulation of various loan and grant funds; policy
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and legislation development; and advice on available housing and community development financing resources.

Applications will be accepted on a continuous basis and processed for examinations to be scheduled as the needs of the Department warrant. State applications and resumes will be reviewed for relevant education, training and experience and qualified candidates will participate in a departmental written exam.

Interested persons should contact the HCD Personnel Office at (916) 445-4807 for more information and to request a copy of the examination announcement.

HCD job opportunities and exams are available on our website <www.hcd.ca.gov/empOps> and the State Personnel Board website <www.spb.ca.gov>.



Reaching Out to small communities

Orange Cove, California

Quick Facts: Description of the Area: Incorporated in 1948. The Rural atmosphere is located in Fresno County on Highway 63 to Kings Canyon and Sequoia Parks. Situated at the edge of the Sierra Foothills. Major crops are citrus, tree fruit and grapes. Population: 7,905; number of housing units: 1,816; median value of owner-occupied housing units: \$52,800

Deputy Secretary for Housing, Patricia Neal and HCD Director Julie Bornstein visited the rural community of Orange Cove on July 19 to present a *total of \$2 million* in Community Development Block Grant funding. One million dollars to repair damaged underground waterlines caused by the 1998 winter floods – and an additional \$1 million for the community’s wastewater treatment plant. This award was part of an announcement Governor Davis made early July for \$26.3 million in grants for community development projects throughout California. The City raised more than \$10 million in grants to double the capacity of its wastewater treatment plant and to repair damaged sewer lines.

“This is all so the farmworkers and citizens who make up this town can prosper.” Mayor Victor Lopez said. “And it’s the big step we need to take toward diversifying and bringing new businesses here. We need to be in a state of readiness because without the infrastructure, no companies will look at you.”

Joint, cooperative groups make community projects possible, and all the members of the City’s dedicated and hard-working team were commended by Deputy Secretary Neal. “Orange Cove has done an

outstanding job in accessing public and private funding for community development projects - a model for other small communities.”

The City of Orange Cove competed for funding under the CDBG 2000 round, for the first time this year, and produced the top ranking application out of 85 applicants. A total of 56 small cities and rural counties were funded throughout the state.

July 19 was not the first time that the State visited the small city. HCD contributed almost \$4 million for new, safe and affordable multi-family projects in the Orange Cove community—Southcove Apartments and the Orchard Village Apartments.

In 1998, the City of Orange Cove received the *State Housing Director’s Award for Housing Development Excellence* for their role in the development of the Orchard Village Apartments, which set a precedence by providing 188 new affordable rental units. Because Orange has close to a zero vacancy rate for rental units, there is little incentive for the owners of rental housing to maintain standards and the City continues to struggle with substandard rental properties. In the development of Orchard Village, the City played an

active role in fast tracking the project and securing multiple funding sources to ensure that rents would be reduced from market rate.

The State’s Farmworker Housing Grant Program has provided over \$500,000 in loans to Orange Cove families for homeownership opportunities—the *American dream* – and the State wants to help more families to buy their own homes. The homeownership rate among major California metropolitan areas is only 51 percent and as low as 45 percent in Los Angeles, while the national rate is 65 percent.

Affordable housing enhances the quality of life for California residents and provides fuel for the State’s economic engine. Last year, funding for HCD programs was \$214 million, this year the total housing budget is \$711 million. This money will support the construction, acquisition, rehabilitation and preservation of affordable housing, child care facilities, shelters, transitional housing, public infrastructure, public works facilities and the development of jobs for low-income workers. The Department will continue to reach out to California’s small communities by delivering financial and technical assistance to promote strong communities.

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Volume 15 • Number 1

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California Neighborhoods
is the official newsletter for the
California Department of Housing
and Community Development
(HCD). Published quarterly.
ISSN 1084-2217.

For more information, comments or
to be added to our mailing list, call
(916) 445-4775 or e-mail:

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available on HCD's web site:
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Printed on recycled paper.



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